



## Seattle City Employees' Retirement System

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**Cecelia M. Carter, Executive Director**

July 7, 2010

Dear City Employees:

We wanted to take this opportunity to share with you the latest news coming out of today's Seattle City Employee Retirement System (SCERS) board meeting. We just received the results of the 2010 Actuarial Valuation of the System's finances. This type of analysis is conducted every two years and given the volatile financial markets, this year we requested an expanded analysis.

The report's findings confirm much of our thinking about the retirement system. Like many pension systems across the county, our system faces a funding gap. Investments have not been growing fast enough to keep up with retirement costs. Also, retirees are living longer so our costs are growing faster than previously expected. The most notable finding is that SCERS is 62% funded, down from 92% at the beginning of 2008. A funding ratio that is around 80% and stable or improving is considered "safe" by pension experts. This is a long run shortfall, to be incurred over the life of all the current members and their beneficiaries.

We know that many of you have been watching the System closely as you plan for your future and the future of your loved ones. Rest assured that we are closely monitoring the situation and taking necessary action to protect the fund and your retirement benefits.

The Council, Mayor, and Retirement Board have already taken steps to address the shortfall. In May of 2010, the Council passed an Ordinance making it possible to increase the contribution rate of city employees by 2%. This increase, if proposed by the Retirement Board and passed by the Council later this year, will provide about \$24 million per year by 2012, money that will start to make up our funding gap. Any contribution rate increase would not become effective in 2010. The Board is also doing a top-to-bottom review of our investments to make sure they perform optimally.

**We do want to emphasize that your retirement benefits are and will continue to be safe. As you will see from the attached fact sheet, with \$1.6 billion of assets on hand, the SCERS pension fund has more than two decades worth of ability to pay retirement benefits for retirees and current workers. Even if the retirement system were to run short in the future, the City would be obligated to pay promised benefits out of then current revenue.**

The attached fact sheet provides more information on the actuarial report, next steps, and fund management. The complete actuarial report is available on the SCERS website for your review. If you have questions please do not hesitate to contact us. We are available to answer your questions.

Sincerely,

Jean Godden  
Seattle City Councilmember  
Chair, SCERS Retirement Board

Cecelia M. Carter  
Executive Director, SCERS

Glen Lee  
Member, SCERS Retirement Board